

Chapter 27

Miscellaneous (Non-Operating) Gains and Losses

27-1. General

a. Miscellaneous gains may result from the disposition of U.S. Army assets. These gains occur periodically and are not a result of the activity's normal operations and are reported net of any related expenses. Collections resulting from the sale of assets such as equipment shall not be treated as revenues since U.S. Army activities are not established to sell assets to other Federal Government Agencies or to non-Federal Government organizations. Such collections are a partial recovery of the asset and shall be treated as such. Asset disposal, after considering any accumulated depreciation and cash collections, result in a gain or loss on disposal.

b. Miscellaneous losses may result from the disposition of assets. Expenses relate to the activity's normal operation, while losses generally relate to all other transactions.

27-2. Professional requirements

Accountants will be familiar with the:

a. Types of transactions that result in a miscellaneous non-operating gain or loss to the activity. An example is an inventory overage or shortage.

b. Procedures or special handling necessary to record these transactions in the accounting records.

27-3. Responsibilities

Accountants will make sure transactions are properly classified and recorded in the accounting records.

27-4. Accounting for miscellaneous (non-operating) gains and losses

Miscellaneous non-operating gains and losses consists of items that are not a normal part of the day-to-day operations of U.S. Army activities. Six broad categories include: gains, losses, extraordinary items, prior period adjustments, distribution of income - dividends received, and changes in actuarial liabilities. The following paragraphs discuss these categories.

a. Gains

(1) *Inventory Gains or Adjustments*. Gains from physical inventories are those that result from overages discovered when physical inventories are taken and reconciled with the inventory accounts. Price adjustments reflecting a higher standard price are considered in this category. Identification of such gains indicates a need to review existing internal controls over the receipt and recording of inventory transactions.

(2) *Investment Gains*. Investment gains are gains realized by U.S. Army activities on the sale or redemption of investments (including securities).

(NOTE: Any remaining unamortized discount or premium relating to the investment at the time of disposition shall be recognized in the appropriate general ledger entries.)

(3) *Other Miscellaneous Gains*. Other miscellaneous gains are those gains that are not classifiable to specific gain accounts.

b. Losses

(1) *Inventory Losses or Adjustments*. Losses from physical inventories are those that result from shortages discovered when physical inventories are taken and reconciled with the inventory accounts. Casualties is broadly defined to mean inventory losses occurring during operations through fire, flood, theft, and so forth. Price adjustments reflecting a lower standard price are considered in this category. Identification of such losses, particularly those identified as a result of physical inventories and theft, indicate a need to review internal controls over inventory. Losses can result from the sale or destruction of assets.

(2) *Investment Losses*. Investment losses are losses realized by U.S. Army activities on the sale or redemption of investments (including securities). (NOTE: Any remaining unamortized discount or premium relating to the investment at the time of disposition shall be recognized in the appropriate general ledger entries.)

(3) *Other Miscellaneous Losses*. Other miscellaneous losses are those losses that are not classifiable to specific loss accounts.

c. *Extraordinary Items*. Extraordinary items are costs or income so unusual in type or amount as to be accorded special treatment in the accounts or to be accorded separate disclosure in financial statements.

d. *Prior Period Adjustments*. Prior period adjustments are those transactions that relate to prior periods. The transactions may be either gains or losses; income or expenses.

e. *Distribution of Income*. Dividend Distributions of income are income distributions/dividends that result from operations or interest on investments.

f. *Changes in Actuarial Liability*. Changes in actuarial liability are increases or decreases in liabilities determined on an actuarial basis. For the U.S. Army, this applies primarily to the military retirement fund.

27-5. Miscellaneous activity

Use the 7000 series of general ledger accounts, Chapter 4, to control and report miscellaneous activity information. Report this information on the trial balance submission. The general ledger accounts included in miscellaneous activity are self-balancing.